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TODAY

NEWS MONDAY

WEEKLY REVIEW AND OUTLOOK — Pull Out Section Starts on Page 9

EARNINGS REPORTS for the second quarter will be awash with red ink as a result of the move by banking companies to bolster loan-loss reserves..... 9

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Quote

It was kind of funny that a man of his stature would forget everything on the biggest disaster in his life.

A juror in the trial of the FDIC suit against Ernst & Whinney, Continental Illinois Corp.'s auditor, commenting on testimoney by Roger E. Anderson, former Continental chairman [Page 3]

Unquote

Japan Firms Outstrip US Rivals in Market Capital

Rise of Yen a Key Factor; Fear of Third World Debt Hurts American Companies

By JOHN P. FORDE

NEW YORK — The market values of the largest Japanese banks and securities firms far exceed those of their competitors in other countries, including the U.S., according to a survey by Morgan Stanley & Co., the investment banking firm.

Analysts attributed the disparity largely to the recent rise in the yen against other foreign currencies.

The list of the 50 largest publicly traded financial companies in the world included nine from the United States. (Tables summarizing the survey's findings appear on page 8.)

The market capitalizations of U.S. firms shrank from yearend 1986 to March 31 because of continued worries about Third World debt. These concerns were spurred especially by news that Brazil had announced a moratorium on payments on its foreign debt during the period.

Market Capitalization

National leaders on March 31, 1987, in billions of U.S. dollars

Country	Institution	Market Capital
Japan	Sumitomo Bank	$58.3
Switzerland	Union Bank of Switz.	13.0
W. Germany	Deutsche Bank	11.9
U.S.	J.P. Morgan & Co.	7.7
U.K.	National Westminster	7.2

Market capitalization is an important measure of the attractiveness of an individual company's stock to large institutional investors. It is figured by multiplying the number of a company's total outstanding shares by their quoted price.

Banks in the United States traditionally had small market capitalizations compared with other types of companies. Because of this, only the largest banking firms — those which had substantial amounts of actively traded shares outstanding — were considered suitable for the investment goals of major investors such as pension funds.

This has changed recently, however, as deregulation and the foreign loan problems faced by money center banks made regionals look better by comparison. These factors have brought regionals higher stock prices for their shares while acquisitions have increased the amount of stock issued by these firms.

The difference in how U.S. banks and banks in other countries have reserved against debt to less-developed countries has not been lost on investors. For example, German banks are 70% reserved against Third World

Japanese: Page 8 ➤

Rate of Failures Grows, but Concern Doesn't

Midyear Toll of 96 Banks Up from 66 a Year Ago

By JAY ROSENSTEIN
Washington Bureau

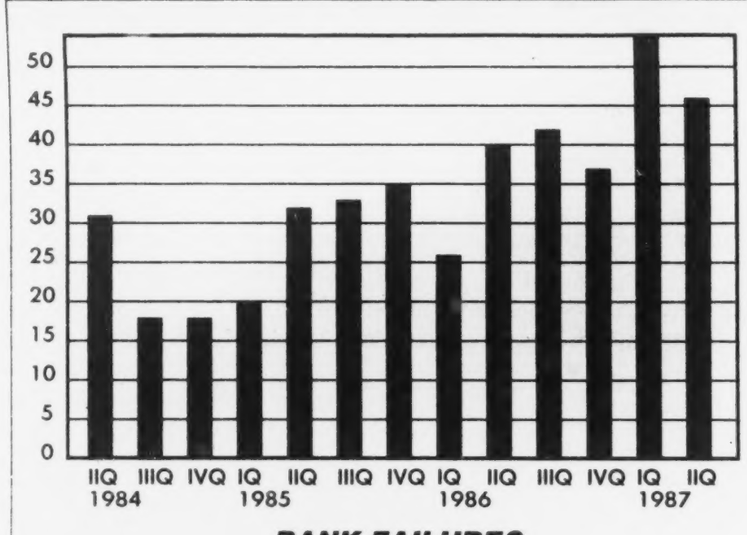
WASHINGTON — Some facts about bank failures in 1987:

• Through midyear, the Federal Deposit Insurance Corp. handled 96 bank failures. In addition, four troubled banks were given assistance to remain open, and "preliminary" assistance packages were worked out for the BancTexas Group Inc. in February and for two troubled Alaska bank holding companies in June.

• The failure rate is well ahead of last year's pace. At mid-1986, 66 FDIC-in-

FDIC: Page 22 ➤

Failures in 1987 March Onward



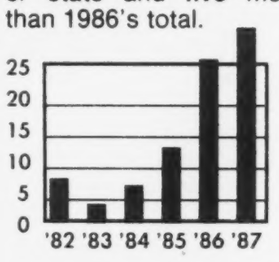
BANK FAILURES
Including assistance transactions

NATIONWIDE:

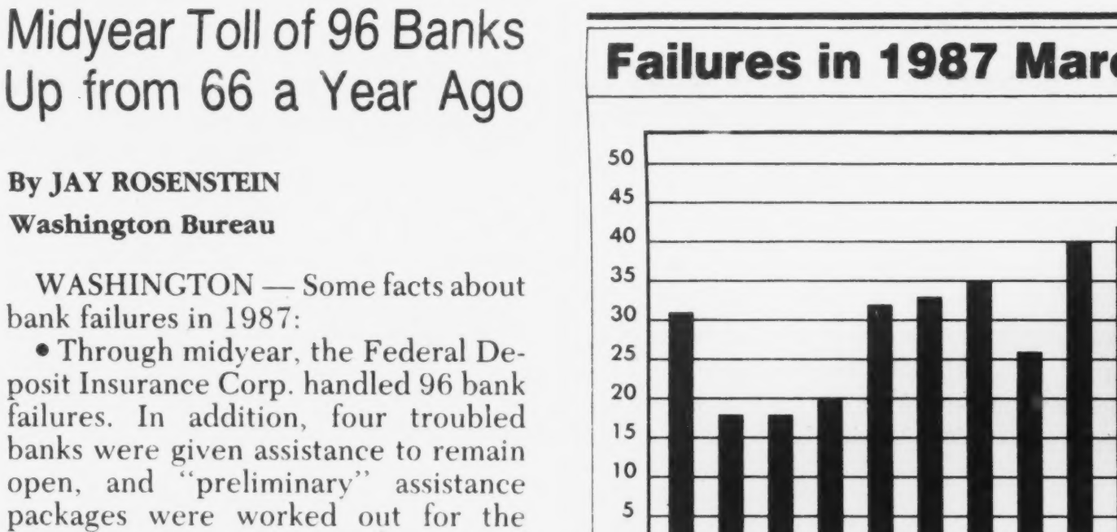
By July 1, 96 banks insured by the FDIC had failed, and four other banks had required assistance to remain open.

***FOCUS:* Texas**

The toll so far: **31** banks, more than any other state and **five** more than 1986's total.



Source: Federal Deposit Insurance Corp.



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Top Eurobond Underwriters

Highest-ranking institutions through mid-1987

		Issues	Amount ($ Bil.)	Market Share
1	Nomura International Group	82	$12.028	13.43%
2	Daiwa Securities	47	4.902	5.47
3	Credit Suisse First Boston	45	4.843	5.41
4.	Deutsche Bank AG	45	4.830	5.39
5	Yamaichi Securities	45	4.448	4.97
6	Nikko Securities	34	3.979	4.44
7	Morgan Guaranty Ltd	30	3.360	3.75
8	Salomon Brothers International	26	3.168	3.54
9	Warburg Securities	30	2.874	3.21
10	Industrial Bank of Japan	27	2.818	3.15
11	Paribas	26	2.724	3.04
12	Morgan Stanley	22	2.703	3.02
13	U.B.S. Securities Ltd	20	2.255	2.52
14	Dresdner Bank	18	2.054	2.29
15	Swiss Bank Corp International	20	1.861	2.08
16	Commerzbank AG	18	1.688	1.88
17	Baring Brothers	13	1.454	1.62
18	LTCB of Japan Ltd	12	1.431	1.60
19	Bank of Tokyo	12	1.386	1.55
20	County Natwest	13	1.207	1.35

Note: Full credit is assigned to lead manager.

Source: International Financing Review

EUROWEEK

Japanese Houses Jump Ahead As Eurobond Financing Slows

By JOHN J. DUFFY
London Bureau

LONDON — Shifting patterns in international borrowing produced dramatic changes among the major players in the Eurobond market for the first half of 1987.

Eurobond financing volume totaled $89.59 billion in the six months ended June 30, down from $94.10 billion for the same period last year, according to the *International Financing Review,* a weekly Euromarkets magazine. Behind the moderate decline, however, was a reshuffling of the currency mix of new Eurobond issues and a shift in the standing of Eurobond houses.

The major story was the rise of the Japanese houses — attributed to the increasing popularity of the yen in international markets — and the fall of some long-dominant U.S. and European competitors. Japanese houses captured five of the top 10 spots in the underwriter rankings for the first half of the year, up from two top 10 rankings for the same period last year.

Nomura Securities, in particular, staged a savage assault on front-runner Credit Suisse First Boston, London, capturing 13.43% of the market and knocking Credit Suisse into third place with a 5.41% share.

The growth of Japanese banks and securities firms drove major U.S. players including Merrill Lynch International, Shearson Lehman Brothers, and

AN **American Banker** WEEKLY FEATURE

Goldman Sachs International out of the top 20 underwriters. The major U.S. bank competitor, Morgan Guaranty Ltd., held its own, slipping only three spots to seventh place from its 1986 ranking.

The shifts in rankings are tied directly to shifts in the market shares of the major currencies. The market share of the U.S. dollar, which has been eroding in value since February 1985, dropped to 38% in the first half of 1987, compared with 63% in all of 1986. The Japanese yen's market share in Eurobond financings nearly doubled in the first half to 18.7%, compared with 9.9% in all of 1986.

U.S. corporations avoided dollar financings in Europe in the first half of the year because of the currency's extreme volatility. According to Salomon Brothers Inc., U.S. issuers raised $12.5 billion in Europe in the first half of 1987, a 43% drop from the same period a year earlier.

Floating-Rate Notes Collapse

The collapse of the market for floating-rate notes contributed to the decline in dollar financing volume, market analysts said. Since 1984, floaters have accounted for the largest amount of new issues in dollars.

Because of the crisis in perpetual floating-rate notes last year, liquidity in the notes generally has dried up, and issuers — mostly banks — have avoided the sector. Many banks now raise floating-rate money by issuing fixed-rate bonds in Australian dollars and other currencies and swapping the proceeds into floating-rate dollars.

Japanese: Page 19 ➤

INTERNATIONAL BRIEFING

Citibank Brandishes Gold Citicard To Charge into Japan's Retail Front

TOKYO — Faced with intense competition for corporate business in cash-rich Japan, the Tokyo branch of the U.S.-based Citibank has launched a major effort into the retail market. The bank hopes to increase its overall profit by using its own credit card to take advantage of a new era in Japanese consumer credit.

With assets of about $4 billion, Citibank, a subsidiary of Citicorp, is the largest foreign bank in Japan. A solid base of money market and foreign exchange volume has enabled Citibank to keep its return on assets well above the dismal foreign bank average. For fiscal 1987 the bank's pretax return-on-assets estimate is between .5% to .7%, up from .3% in 1986.

To boost returns on assets to even higher levels in a saturated banking market, Citibank will have to be innovative. That is one reason why the bank wants to be the first foreigner in the Japanese retail market.

Yet, with only six branches in the country — two in Tokyo, and single outlets in Yokohama, Nagoya, Osaka, and Kobe — Citibank will be hard-pressed to compete with the huge multibranch networks of Japan's commercial banks. To counter that disadvantage, the bank will rely on the Gold Citicard to solicit business from the Japanese market.

"Our branch network is too small to be a successful mass consumer vehicle," said James Collins, North Asia division head for Citibank. "We cannot use a broad scale product delivery plan, so we will reach consumers through specialized services. Our plan is to leverage off Citicard to literally reach out to hundreds of thousands of Japanese consumers and foreign residents. That will be the basis of our retail strategy for Japan in the 1990s."

Bank Aims to Establish Cheap, Stable Source of Funds

Citibank managers believe there are customers who want to deal with an international retail bank. By tapping that target market, one of the bank's primary aims is to set up a stable and relatively cheap source of funds. To do this, Citibank has created a consumer group, which consists of one-third of the institution's 1000 Japanese employees.

"Japan has a population of 120 million, and the credit card market is wide open," said Mr. Collins. "The U.S. has an average of three cards per person while Japan has only .7. If this country increases its ratio to 1.7 cards per person, then another 120 million cards have to be issued. There is no reason why Citicard could not take 1% of that increment."

To enter this potentially attractive market, Citibank became the first foreign financial services company — beside American Express Co. — to establish its own card. The Gold Citicard launch was in March, and the bank projects a base of 20,000 users within a year. By the third year, the company hopes to reach its medium-term goal of 100,000 cardholders.

Citicorp Card Services was established in the United States in October 1986 and opened a Tokyo branch in December. As the largest issuer of bank cards in the United States, with 15 million Visa and MasterCards in use at year's end, Citibank will issue its Far Eastern version in conjunction with Union Credit Card Company of Japan and MasterCard International.

Presently, a Gold Citicard membership costs about $80, with a $40 cost per additional card. Japanese members will be able to use their cards in about 520,000 Union Credit Card establishments, at about 2,000 cash dispensers, and throughout the MasterCard network.

Citibank will allow clients to withdraw up to $1,400 in cash and use the card to facilitate approval of loans up to $35,000. With the "Citishopping" system cardholders accumulate "Citipoints," which allow them to purchase select products at special prices.

"It's going to be a wonderful battle for the card market. We will go after the same upscale consumer as Amex and Diner's Club [run by Fuji Bank] but add middle class users," said Mr. Collins. "Gold Citicard will be much broader than these two competitors. As the law permits, we will become much more than a plain charge card. We want to be already in position on the day banks are allowed to extend revolving credit lines to consumers."

Citibank will not only compete by offering revolving credit lines, but when interest rate deregulation reaches the consumer level, the bank also expects to make use of rate structures to attract new business.

Using the card as a consumer link, Citibank will try to attract savings and certificate of deposit money, while using direct mail to sell a series of other products.

Ministry of Finance Expected To Approve Revolving Credit Lines

Given the present circumstances in Japan, Citibank may not have to wait too long to put its credit card plans into effect. Currently, the Japanese government is considering increasing domestic demand by deregulating the consumer finance business. In the near future, the Ministry of Finance is also expected to allow commercial banks more leeway in the area of consumer loans by extending the right to offer revolving credit lines.

The consumer finance business is now dominated by bank-affiliated credit card companies and large credit sales firms. Commercial banks started to compete with credit companies only in 1985, yet the combined balance of the 12 leading banks' consumer loan portfolios is estimated at around $7 billion, up 70% from a year ago.

That figure is small, however, compared with total consumer finance business of $275 billion. The leading credit company, Nippon Shimpan has yearly turnover estimated at $19 billion, and rival Orient Finance, affiliated with Dai Ichi Kangyo Bank, has turnover of about $18 billion.

The Ministry of Finance hopes the new competition will lower the average interest rate charge on loans and decrease the overall cost of money. Citibank is in favor of both these legislative moves.

— David Lake

Proof of Prudence or Sheep Mentality?

By PHILIP T. SUDO

NEW YORK — T. Joseph Semrod, chairman and president of United Jersey Banks in Newark, has occasionally noted that "the sheep syndrome seems to permeate the banking industry."

Recent moves by banks to raise their loan-loss reserves would do nothing to change his mind, although they may put the market at greater ease.

To date, 50 bank holding companies have followed Citicorp's dramatic lead and announced a special, one-time provision to protect themselves against losses to borrowers in lesser developed countries. Companies with an LDC portfolio of as little as $2 million have announced special provisions.

As a result of those actions, 35 have said they will report losses for the second quarter, and 12 have indicated they will show losses for the entire year.

On May 19, Citicorp said it would add $3 billion to its reserve to cover potential losses on $14.8 billion in Third World outstandings.

Through July 1, six more of the nation's top 10 bank holding companies have taken actions similar to Citicorp's. The exceptions are J.P. Morgan & Co. and Bankers Trust New York Corp., two firms already highly capitalized, and Wells Fargo Corp., which has a relatively small LDC exposure.

Some banks have announced special provisions of as little as $4 million.

When asked whether banks were prompted by true balance-sheet concerns or simply the herd instinct, Ronald Mandle, bank analyst for PaineWebber Inc., said, "It's a combination of both. Once Citi moved, the others were likely to follow, because a lot of them have the same loans."

But as for whether any of them would have acted had Citicorp not taken its step first, he said, "Probably not that many would have." ■

Special Provisions for Third World Debt

Banking institutions increasing reserves against loans to lesser developed countries

As of July 2, 1987 (In Millions of Dollars)	Second Quarter Provision	Total Reserve 6/30/87	Special LDC Reserve	Relevant LDC Debt	Second Quarter Loss/Profit	Full Year Loss/Profit
Citicorp, New York	$3,000	$5,000	$3,800	$14,800	($2,500)	($1,000)
Manufacturers Hanover Corp., New York	1,700	2,700	1,850	8,409	(1,400)	(1,050)
Chase Manhattan Corp., New York	1,600	2,700	2,200	8,900	(1,400)	(850)
BankAmerica Corp., San Francisco	1,100	3,300	250	1,000	(1,000)	(775)
Chemical New York Corp., New York	1,100	2,100	1,500	5,900	(1,100)	(710)
First Chicago Corp., Chicago	800	1,370	935	2,800	(700)	(450)
First Interstate Bancorp, Los Angeles	750	1,200	500	1,500	(455)	
Security Pacific Corp., Los Angeles	650	1,300	650	1,800	(175)	150
American Express Bank Ltd., New York	600	795		2,092	(50)	
Continental Illinois Corp., Chicago	500	970	757	3,345	(470)	(300)
Mellon Bank Corp., Pittsburgh	415	990	290	1,600	(500)	
Marine Midland Corp., Buffalo	400	683		440	(290)	(100-120)
First RepublicBank Corp., Dallas[1]	325	1,100	275	1,360	(313)	
Bank of Boston Corp., Boston	300	702	430	1,200	(80-85)	
National Westminster Bank USA, New York[2]	220	337	101	1,000	(185)	(142)
Norwest Corp., Minneapolis	200	500		600	(160)	(30)
First Bank System Inc., Minneapolis	160	513	205	414	(105)	70-85
Bank of New York Corp., New York	135	400	175	544	(35)	100
Valley National Corp., Phoenix	135	225			(63)	10
PNC Financial Corp., Pittsburgh	110	386	135	482.5	19.1	
Bank of New England Corp., Boston	107	368	107	305	1-5	12
Republic New York Corp., New York	100	225		487	(80)	
First Wisconsin Corp., Milwaukee	96	160	102	292.6	(55)	35-45
Northern Trust Corp., Chicago	85	163	107	335	(63)	(18)
AmeriTrust Corp., Cleveland	78.1	161	63.5	199	60	
Mercantile Bankcorp. Inc., St. Louis	75	148		263	(33)	2
Seafirst Corp., Seattle	60	220	128	512	(45-50)	
Rainier Bancorp., Seattle	58	136		170	(19)	
First Fidelity Bancorp., Newark, N.J.	56	153	41	121	(7)	
National City Corp., Cleveland	55			250	8	135
Banc One Corp., Columbus, Ohio	54	214		82	19	
NBD Bancorp Inc., Detroit	54	233	70	236	15	
First Wachovia Corp., Winston-Salem, N.C.[3]	50	212	35-50	214		
Shawmut Corp., Boston	44	135	69	150	(30)	
United Banks of Colorado Inc., Denver[4]	35	100		2		
Manufacturers National Corp., Detroit	30.4	88	60	214	(10)	
Fidelcor Inc., Philadelphia[5]	30	135	44	88		
Merchants National Corp., Indianapolis	30	55		75	(13)	15
Midlantic Corp., Edison, N.J.[6]	30	210	73.5	111		
Old Stone Corp., Providence, R.I.	28	45		93	(14.6)	14
Huntington Bankshares Inc., Columbus, Ohio	25	83	25.8	87	3.3	
First Union Corp., Charlotte, N.C.[7]	25	255	33	57	59	260-265
Indiana National Corp., Indianapolis	23	62	25.3	67	(4)	
Centerre Bancorp., St. Louis	20	75	37	95	(7)	24-25
United Virginia Bankshares Inc., Columbus, Ohio	18	97	20	52		
First Kentucky National Corp., Louisville	17	58	22.3	53		
Washington Bancorp, District of Columbia	12	30		77	(9)	
Banco de Ponce, San Juan	10	27.3	12.8	42.8	(4.3)	
Deposit Guaranty Corp., Jackson, Miss.[8]	8.1	37		18		
Bank South Corp., Atlanta	4	30	4	8.3		

[1]First RepublicBank indicated it will show a loss for the full year. [2]NatWest USA's $185 million loss is for the first half. [3]First Wachovia will show a 2nd quarter profit, although earnings will be affected negatively by $20 million. [4]United Banks of Colorado indicated it will show a loss for the 2nd quarter. [5]Fidelcor will show a 2nd quarter profit, although earnings will be affected negatively by $23 million. [6]Midlantic will show a 2nd quarter profit, although earnings will be affected negatively by $18 million. [7]First Union's indicated its expected full year profit is an analyst's projection. [8]Deposit Guaranty will show a 2nd quarter profit, although earnings will be affected negatively by 60 cents per share.

Compiled by Philip T. Sudo

EXECUTIVE CHANGES

Robert Kemper Joins Consultants

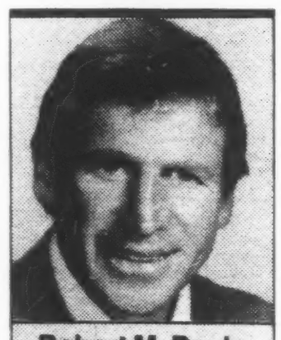
Robert L. Kemper, a director of the National Center on Financial Services at the University of California at Berkeley, has joined **Edgar, Dunn & Conover Inc.,** management consultants based in San Francisco. Mr. Kemper, 58, was formerly president and chief executive officer of BankWire, a New York-based data communications cooperative owned by the nation's largest banks. From 1978 to 1983, he served as vice chairman at Wells Fargo Bank. Mr. Kemper is past president of the Bank Administration Institute, the California Bankers Association, and the Western States Bankcard Association. He retains his post at the National Center on Financial Services.

BANCOHIO NATIONAL BANK, Cleveland, announces the election of **Stephen B. McLane** as executive vice president of its board of directors. Mr. McLane joined BancOhio in 1986 as manager of the metro/multinational division, and currently heads the corporate banking group. Also elected assistant vice presidents were: **Lynn Vadini Armbrust** and **Thomas L. Mercer,** information systems division; **Scott E. Bennett,** Marion area; **Jeffrey S. Chapman,** investments division; **Linda M. Kight** and **Gerald P. Walker,** secured credit division; and **Gretchen Lynn Yates,** corporate services division. BancOhio is a member of National City Corp., Cleveland, a bank holding company with $13.9 billion in assets.

BEACH FEDERAL SAVINGS AND LOAN ASSOCIATION, Boynton Beach, Fla., has appointed **Alvin A. Hirsch** senior executive vice president and chief operating officer, responsible for accounting and treasury operations. He is also chief financial officer and treasurer.

THE VERMONT BANKERS ASSOCIATION has elected **Jean A. Hubner** president. The president-elect is vice president of Vermont National Bank. **Chester D. Andrews,** president of Factory Point National Bank was elected first vice president, and **Kendrick F. Bellows Jr.,** president of Bank of Vermont, was elected second vice president.

OLD STONE CORP., Providence, R.I., the parent of Old Stone Bank, appointed **Robert M. Doyle** executive vice president of Old Stone Development Corp. Mr. Doyle had served since 1983 as senior vice president of Old Stone Development, responsible for initiating new investment opportunities. Mr. Doyle joined Old Stone, as vice president of the bank and the development corporation, in 1983.



Robert M. Doyle

THE FEDERAL HOME LOAN BANK OF SAN FRANCISCO has named **William K. Black** senior vice president and general counsel-corporate secretary. Mr. Black will provide legal advice on thrift policy proposals submitted to the Federal Home Loan Bank Board. Mr. Black was formerly a deputy director for the Federal Savings and Loan Insurance Corp.

FIRST CITY NATIONAL BANK OF HOUSTON has elected **Charles W. Patterson** as executive vice president. He joined First City in 1973, became a group manager in the energy division, was promoted to department manager of the special loans group in 1985, and division manager in 1986.

— Orest Mandzy

BankLink Inc. Offers Stop-Payment Service

Special to the American Banker

NEW YORK — BankLink Inc., a licenser of cash management services, has announced a new stop-payment service.

The service allows corporate cash managers to electronically send stop-payment requests to their banks' processing locations. Confirmations are also received electronically.

BankLink is offering the service, on a pilot basis, throughout the summer. It has not yet scheduled a formal release date.

The stop-payment service eliminates the need for cash managers to spend time telephoning their banks to order and confirm stop payments. It also makes typed confirmations unnecessary.

Decentralized as well as centralized bank operations can use the service, the company said, because requests can be routed to one of several locations within a bank.

According to Jonathan Butterfield, the company's managing director, the idea came after BankLink studied corporate cash management needs. "Stop payments consistently came up as the service corporations were most interested in," he said.

The BankLink system, part of Chemical Technologies Corp., is licensed to 87 financial institutions worldwide. Chemical Technologies, a distributor of electronic financial information services, is a subsidiary of Chemical New York Corp. ■

MEMORY BANK

Following are the answers to the Memory Bank Quiz on page 16.

1. False. Robbers took ATM cards only 6% of the time. (In 1986, there was a rate of one violent criminal incident per 3.2 million ATM transactions.) **June 29, page 15 : column 1.**

2. B) 50%. **June 30, 2:1.**

3. First Chicago Corp. **June 30, 2:4.**

4. Certificates of deposit. **June 30, 2:3.**

5. H. Robert Heller. **June 30, 8:4.**

6. False. As the 200th anniversary of the U.S. Constitution approaches, the Billy Buttons are part of a campaign to raise funds to restore a statue of William Penn in Philadelphia. **June 30, 12:1.**

7. Marshall & Ilsley Corp., Milwaukee. **June 30, 31:1.**

8. International Business Machines. **July 1, 10:1.**

9. Land. Sun State expects to sell 740 acres in affluent Scottsdale, Ariz. **July 3, 5:2.**

10. Ernst & Whinney. **July 3, 2:1.** ■

Retirement . . .

Continued from Back Page

the services.

Along with the survey results, the association has published a new National Financial Planning Index showing how much consumers can expect to pay for such basics as a college education, a new car, and a weeklong family vacation. The prices were obtained from national providers of goods and services.

The index suggested that a family of three with an annual gross household income of $75,000 would have to spend $40,440 a year to cover the cost of an upscale home, funding a retirement plan, a four-year private college education, a new car, a one-week family vacation, and a $500,000 life insurance policy. ■

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EUROWEEK

Continued from Page 2

This year's decline in dollar fixed-rate and floating-rate issues has been accompanied by an astounding rise in another type of dollar financing — bonds with equity-purchase warrants.

Unfortunately for U.S. and European houses, however, these bonds have been issued almost entirely by Japanese companies and floated by Japanese securities firms or banks.

So far this year, Japanese borrowers have issued more than $11 billion of bonds with equity-purchase warrants, compared with $12 billion in all of 1986 and $1.6 billion in 1985. In July alone, underwriters expect to sell$4 billion of the bonds.

The equity-purchase warrants grant investors the right to buy Japanese shares at a fixed price, representing an inexpensive way to play the Tokyo stock market.

With Tokyo stocks up an average of 40% this year in dollar terms, companies have been able to sell the bonds with warrants at interest rates of about 1%. For example, a recent $800 million warrants deal for Toyota, the largest such issue to date, offered a coupon of only 1¼%.

Such low interest rates have Japanese companies clamoring to sell the issues, and companies including Nomura and Daiwa have been more than accommodating. Underwriting the issues does not yield much profit, but it can help enormously with league table rankings, which are important to the Japanese.

The outlook for U.S. banks and securities firms is not much brighter for the second half of the year, analysts said. A major reason is the termination last week of the U.S. tax treaty with the Netherlands Antilles.

Unitl 1984, U.S. corporations issued Eurobonds through subsidiaries in the Netherlands Antilles to avoid the 30% withholding tax on foreign investment in U.S. securities. With the demise of the tax treaty, U.S. bonds became subject to the tax, and prices fell sharply.

Although the U.S. Treasury said late last week that it would propose legislation to exempt most of the pre-1984 bonds from the tax, the episode has left European investors highly suspicious. Most importantly, the change in the tax structure made it possible for U.S. issuers to call for early redemption of more than $30 billion of U.S. bonds issued during the high-interest-rate period of the early 1980s. European investors now face the loss of millions in interest income because of the early redemptions.

"I think it will be a long time before investors here ever trust a U.S. issuer again," said one money manager based in Switzerland. "U.S. corporations are going to face a lot of hostility here for some time to come." ■

Study Says Europeans Lag in Financial Services

By JOHN J. DUFFY
London Bureau

LONDON — A vast potential market for payment cards and related financial services in Europe is not being served adequately by European banks, according to a study released here this week by MasterCard International Inc.

It concluded that European banks have been too preoccupied with keeping U.S. financial services giants like American Express Co. out of their national markets. In the process, they have failed to develop significant payment products of their own and are in danger of losing their best customers to such large, international competitors, the study warned.

MasterCard, the international bank card association based in New York, underwrote preparation of the study by Lafferty Business Research, a London-based publishing and research firm.

"The European banks have been preoccupied with building a new Maginot Line against an imagined invasion by their American payment systems rivals," the report said.

"As a result, they have skimped on creating better European alternatives. They have created only two cross-border payment products with a specific European identi y: Eurocheque, which is limited in its application and potential, and Eurocard, which has turned out to be a feeble attempt to rival American Express."

Lafferty Business Research queried about 6,000 consumers in Britain, France, the Netherlands, Spain, Sweden, and West Germany.

It found that 40% of credit card holders would go to a bank other than their own if it offered lower fees or lower credit card interest rates. Most consumers would prefer to deal with U.S. banks rather than European banks, the survey also showed.

"The conclusion is that the potential for internationalization of payment and credit services is substantial, and the European banks should not take customers for granted," the study said.

Other findings included the following:

- While European consumers' interest in credit cards is growing, a relatively small percentage of European consumers actually possess an internationally recognized credit card. Only 17% of those surveyed had Visa cards, 9% MasterCards, 2% American Express cards, and only 1% Diners Club cards.
- Seventy-four percent said they were worried about using bank payment cards or credit cards, unless they have built-in spending limits, because they think cards make it too easy to overspend.
- Name recognition of international payment cards is high. For example, 70% of consumers recognized the American Express name.
- Forty-four percent of those who have a bank payment or credit card are using it more frequently than they used to.
- Twenty-seven percent said they are interested in home banking. Of these, 41% would be willing to pay a monthly fee.
- Twenty-nine percent were interested in cashless shopping or electronic funds transfer at the point of sale.

Overall, the study established that European banks have done little in the way of market segmentation. While Europeans exhibit a high degree of loyalty to their local banks, this may be because there is little to choose from among institutions, the study said. ■

Visa Executive Starts Collection Firm

Continued from Back Page

been charged off," he said. "I have been analyzing the market very closely while at First Interstate and at Visa, and ours will be the only outfit focusing entirely on bank card receivables."

As his interest grew in tackling the collection problem, "it became clear that there wasn't an appropriate place for something like this within Visa," he said.

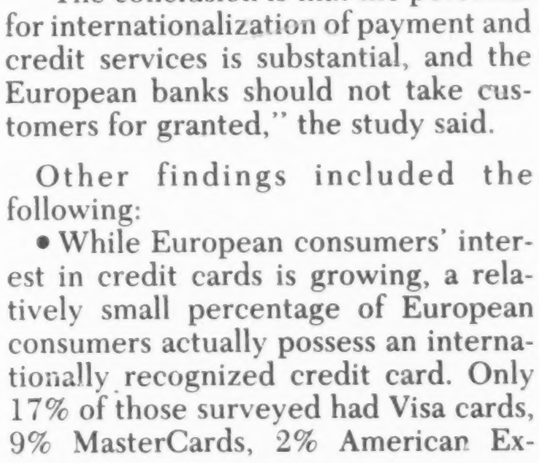
Chargeoffs are "high and going higher," Mr. Johnson said. He estimated the bank card industry would charge off $2.5 billion this year, equal to at least 4% of card loans outstanding. Card-issuing banks could improve their earnings by recovering some of those chargeoffs.

By focusing on the problems of credit card issuers as opposed to other types of creditors, Credit Sciences will have a competitive advantage over collection companies that are "not in sync with the strategic objectives of the banking industry," he said.

Once the collection business is in place, Mr. Johnson said he will branch out into risk management consulting and "play more of an educational role in the industry."

Mr. Johnson has also obtained a consulting contract to help a major financial institution — which he declined to identify — establish a credit card bank in Georgia. The state recently enacted a law to attract such institutions and the accompanying jobs. ■

Treasury Yields



Interest Rates July 2, 1987

Federal Funds	6.79
3-month T-Bills	5.83
30-year T-Bill	8.43

Gibraltar Agrees To Buy Thrift

BEVERLY HILLS, Calif. — Gibraltar Financial Corp. agreed in principle to acquire First Federal Savings and Loan Assocation, Ridgecrest, Calif., for $12.1 million in cash. Ridgecrest, which operates six offices, primarily in Kern County, has assets of $130 million. Gibraltar, with assets of $12 billion, is the parent of Gibraltar Savings and Loan Association. ■

Duff & Phelps Inc. CREDIT RATINGS

Week Ending July 3, 1987

New Issues:	Rating
Fixed Income	
AT&T Credit Corporation - Notes	2
Borg-Warner Holdings Corporation - Sen. Sub. Debt	15
Centel Corporation - Debs.	6
First Chicago Corporation - Sub. Capital Notes	7
Public Service Electric and Gas Company - F&RMB	4
Salem County, New Jersey/Public Service Electric and Gas Company Project - PCRB (Col)	4
Texas Utilities Electric Company FM&CTB	7
New Ratings:	
Commercial Paper	
Kerr-McGee Credit Corporation	Duff 1-
Ratings Changed:	From To
Fixed Income	
American Airlines, Inc. - Equip. Trust Ctfs.	7 6
Massachusetts Municipal Wholesale Electric Company Defeased Portions (Coupon or Reg. Bond Nos. as Specified by Trustee) of Rev. Bonds Series 1981B, 1982A, 1985A due 2017 and Series A Due 2018	9 1
Michigan Consolidated Gas Company - FMB	8 6
Michigan Consolidated Gas Company - Pfd. Stock	9 7
Panhandle Eastern Corporation - Exch. Sub. Debs.	11 10
Panhandle Eastern Pipeline Company - Debs.	9 8
Panhandle Eastern Pipeline Company - Pfd. Stock	9 8

For information contact: Tom Schroeder V.P.
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Rate of Failures Grows, but Public Concern Doesn't

→ Continued from Page 1

sured institutions had failed. The 96th closing last year did not occur until August 21.

• At the current rate, about 200 banks will fail this year, well above the total of 138 in 1986, the worst year since the Great Depression. There were also seven cases of open-bank assistance last year. Until 1982, the typical number of closings in a year was 10 or fewer, and assistance to open banks was almost unthinkable.

• During the first quarter of 1987, 54 banks insured by the FDIC were closed or given aid to keep them from failing. That is more than in any other three-month period since 1933.

• Before the year is out, more FDIC-insured banks will have failed or been propped up within six years than had been in the previous 48 years of the FDIC's activities. According to the agency, from 1934 through 1981, 581 insured commercial banks and savings banks were closed or given assistance to remain open. From 1982 through the first half of this year, 535 banks were closed or given aid.

Nonchalant Attitude

Sounds like a lot of doom and gloom — on paper. But despite those statistics, bankers and the public seem almost nonchalant about the rash of bank failures in the United States.

"If we talked five years ago about 200 banks failing, there would have been panic in the streets," said a banking industry observer.

Ever since Oklahoma's Penn Square Bank failed in 1982, beginning a new era of bank closings, the FDIC through fancy footwork has been successful in protecting the banking system, its depositors, and the federal insurance fund.

Said William Bosies, a lawyer for the American Bankers Association, "We feel the FDIC has been doing an excellent job of handling bank failures, minimizing the impact of those failures on the local communities in which those banks are located, and trying to innovate in finding new ways to handle bank failures."

Last year, the FDIC came up with innovations intended largely to overcome an inability or reluctance of healthy institutions to bid on failed banks.

For instance, the agency began a program in which an acquiring institution was given a "note receivable" at a high interest rate as an alternative to cash assistance to a bidder who didn't want the cash up front.

Also, the FDIC last year introduced the "negative premium," in which it would pay the acquiring institution to take over a failed bank, instead of usual practice of the institution paying a premium to the FDIC.

In 1986, the FDIC and other regulators made use of capital forbearance for well-managed institutions facing tough times. There also was the first intensive use by the FDIC of open-bank assistance, in which the agency gave aid to ailing institutions to keep them from closing.

Changes in Disposing of Assets

Last year, the FDIC also found ways to minimize the cost and burden of disposing of failed banks' assets. They included reselling assets in bulk packages and developing a computerized asset marketing system, in which the agency tries to match potential investors with assets in the FDIC portfolio.

According to the FDIC, the asset marketing program has identified about 1,500 potential purchasers of loan packages and helped close about 200 sales, ranging in size from a 10-loan package to another of 90,000 insurance accounts. These sales have involved about 129,000 loans with an aggregate book value of $342 million.

"We are realizing major benefits from the program now that it is fully operational," said Stephen Katsanos, an FDIC spokesman.

Much of the FDIC's work this year can be characterized as expanding on and tinkering with last year's programs. On the drawing board is a major expansion of the capital forbearance program. Instead of only farm and energy banks being eligible for leniency on capital standards, all FDIC-insured banks would be eligible.

The FDIC also is trying to shorten the interval between on-site examinations of both healthy and problem institutions. "During 1986, the FDIC added about one bank a day to the problem list," Mr. Katsanos said. "By the end of the year, we had almost one problem bank for every examiner on the staff.

"So if we're going to focus our efforts on just problem banks, we're not going to be getting into institutions that were rated as healthy ones at their last examination. We don't see that as an acceptable proposition."

There has been one major innovation so far this year. The FDIC now can offer a bidder funds up front to take over an entire institution, rather than having the agency assume the bulk of the problem loans.

"We want to keep all the credit in the private sector," FDIC chairman L. William Seidman said. "The value of assets goes down when we get hold of them."

FDIC officials also say this arrangement has the potential to bring more bidders to the table for failed banks, to be less disruptive to a failed institution's borrowers and other customers, and to ease the agency's liquidation workload.

The "whole bank" purchase plan was first used in April, when the $13.6 million-deposit Deer Lodge Bank and Trust Co. of Deer Lodge, Mont., was closed. Six of these deals were arranged in the first half of the year.

Problem List at All-Time High

The agency will have its hands full for the rest of the year. The problem list of institutions requiring special supervisory attention is still at an all-time high. It stood at 1,532 at the end of the first quarter, and Mr. Katsanos said there are about 1,600 on the problem list now.

The FDIC spokesman said last week that while bank failures have been increasing at a faster pace than in the past, the problem list has shown a more modest growth rate. "We're thinking that over the next 12-month period we might see some stabilizing in the rate of failures," he said.

The relatively good news recently has come from the Midwest and from agricultural banks. Agency officials say that in the past year farm prices have stabilized and some of the pressure on lenders in the agricultural economy seems to have eased. The bad news, though, continues to come from the southwestern states that are heavily dependent on oil and mineral exploration.

Kansas, a farm state, had 14 bank failures and two assistance deals last year. During the first half of this year, three Kansas banks failed. While six banks failed in Nebraska last year, there were no failures in the first half of this year.

But the oil state of Texas alone accounted for 31 of the 96 FDIC-insured banks actually shut down in the first half of 1987. Those 31 failures already exceed the 26 shut down there in 1986. And more failures in Texas may have been averted in February of this year when the FDIC and the Hallwood Group of New York participated in an assistance program for the financially troubled BancTexas Group. Several of the 11 banks in the BancTexas family were considered to be on the brink of failure.

The agency's future problems could depend on what happens to sectors of the economy and to interest rates. But the FDIC could become more efficient in responding to problem banks due, in part, to decisions in Congress.

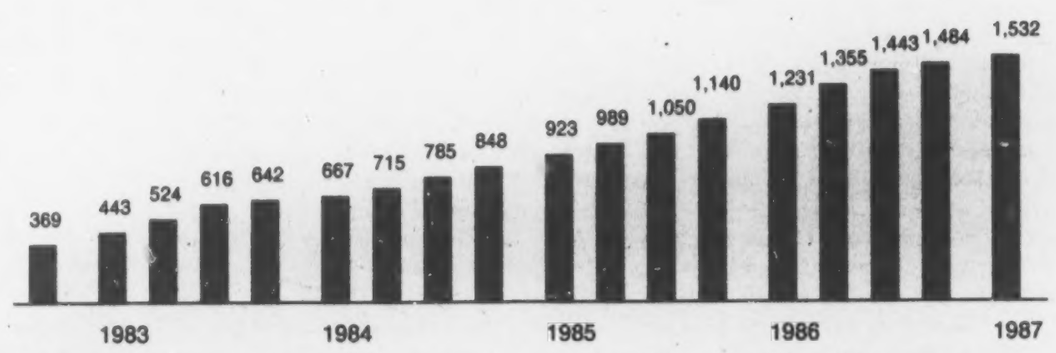
Late last month, House and Senate negotiators adopted the "bridge bank" concept, which will enable the FDIC to take over a failed bank, keep it in business, and take whatever time it needs to find a buyer. The lawmakers also agreed to permit large problem banks to be acquired by out-of-state institutions before they are closed. This also should give the FDIC more time to find buyers for institutions.

In the past, there often has been a mad scramble to find a buyer in the hectic days before an institution is closed, and a rush by potential buyers to analyze the problem bank. This has reduced the number of bidders and perhaps the size of their offers.

"If we have an opportunity to open the doors of the failing bank to potential buyers, we think it will be a much better process for marketing the bank," said Mr. Katsanos of the FDIC. "It removes a good deal of the uncertainty." ■

Problem List Still Growing

Banks under federal supervision are examined by the Camel system, which rates banks from 1 (good) to 5 (bad) based on the quality of capital, assets, management, earnings, and liquidity, plus a composite rating. 'Problem' banks supervised by the Federal Deposit Insurance Corp. consist of 4- and 5-rated institutions.



Each bar represents the nummber of banks on the FDIC's problem list at the end of a quarter.

Source: Federal Deposit Insurance Corp.

FDIC-Insured Bank Failures Around the US

As of July 1, 1987

	'87	'86	'85	'84	'83	'82
Alabama	2	1	2	1	1	1
Alaska		1				
Arizona						
Arkansas			1	2	1	3
California	3	8	7	6	5	2
Colorado	7	7	6	2	1	
Connecticut						
Delaware						
Dist. of Columbia						
Florida	1	3	2	2		1
Georgia						
Hawaii						
Idaho		1				
Illinois	2	1	2	5	6	5
Indiana	3	1	1	2	0	0
Iowa	4	10	11	3		2
Kansas	3	14	13	7	1	
Kentucky		2		1	1	
Louisiana	6	8		1		
Maine						
Maryland						
Massachusetts	1					1
Michigan				1		1
Minnesota	6	5	6	4	1	1
Mississippi	1			1		
Missouri	4	9	9	2	1	2
Montana	3	1			1	
Nebraska		6	13	5	1	
Nevada					1	
New Hampshire						
New Jersey				1	1	1
New Mexico		2	3			
New York			4		2	4
North Carolina						
North Dakota	1					
Ohio	1					
Oklahoma	14	16	13	5	1	3
Oregon		1	3	5	5	
Pennsylvania						1
Puerto Rico		1		1	1	1
Rhode Island						
South Carolina						
South Dakota	1	1		1	1	
Tennessee		2	5	11	12	3
Texas	31	26	12	6	3	7
Utah	2	3	1	1		
Vermont						
Virginia						1
Washington						1
West Virginia						1
Wisconsin		1	1			
Wyoming		7	5	2	1	
Total	96	138	120	79	48	42

The total of failures for 1987 does not include four assistance transactions. The total of failures for 1986 does not include seven assistance transactions.

Toll for 2d Half of '87 Begins: 2 More Failures

WASHINGTON — Two banks in Texas were closed late last week, bringing the number of failures to 98 for the year.

The Bank of Brazoria, Brazoria, Tex., was closed last Thursday. Moulton State Bank, Moulton, Tex., assumed $24.2 million of the Bank of Brazoria's deposits.

The failed bank's sole office is scheduled to reopen today as a branch of Moulton State Bank, which agreed to pay the Federal Deposit Insurance Corp. a $260,000 purchase premium.

The acquiring bank will purchase $13.5 million worth of the Bank of Brazoria's assets, and the FDIC will retain assets with a book value of $11.7 million. The FDIC advanced Moulton State Bank $10.4 million. This was the 32d Texas bank to fail this year.

Citizens Bank of Bryan, Texas, was also closed July 2. Deposits of $36.3 million at the failed bank were assumed by UnitedBank-College Station, College Station, Texas. ■

FDIC-Insured Banks that Have Failed or Been Rescued in 1987

Washington Bureau

WASHINGTON — The following is a list of U.S. banks insured by the Federal Deposit Insurance Corp. that have failed or to which the FDIC has given financial assistance because they were deemed in danger of failing in the first half of 1987.

A bullet (•) denotes a collapsed agricultural bank, defined by the FDIC as having agricultural loans exceeding 25% of its total loans.

The number of insolvent banks that have been either liquidated or merged into other companies is 96. Four others, listed here after the bank failures, received financial help from the FDIC to keep them from failing. Thirty-one of the failing banks were agricultural banks.

The total number of bank closings in 1986 was 138. Fifty-nine were agricultural banks. Seven others received financial help from the FDIC to keep them from failing.

□

1. **Bowie National Bank**, Bowie, Tex. Closed Jan. 8. Deposits of $12.6 million assumed by Bowie State Bank, a newly chartered subsidiary of Montague Bancshares Inc., Weatherford, Tex.

2. **The Security National Bank & Trust Co. of Norman,** Norman, Okla., closed Jan. 8. Deposits of $174.4 million assumed by a newly chartered bank of the same name, owned in equal parts by First Commercial Corp., Little Rock, Ark., and Northwest Arkansas Bancshares Inc., Bentonville, Ark.

3. **American National Bank of Grand Junction,** Grand Junction, Colo., closed Jan. 8. All but $2,000 of the total of $7.1 million in deposits were within the federal deposit insurance limit. Insured deposits transferred to Intrawest Bank of Grand Junction.

• 4. **State Bank of Cuba,** Cuba, Ill., closed Jan. 9. Deposits of $17.6 million assumed by National Bank of Canton, Canton, Ill.

• 5. **Latimer Bank and Trust,** Latimer, Iowa, closed Jan. 15. Deposits of $21.9 million assumed by the First National Bank of Clarion, Clarion, Iowa.

• 6. **The First National Bank of Rush Springs,** Rush Springs, Okla., closed Jan. 15. Deposits of $12.5 million assumed by First National Bank of Maysville, Maysville, Okla.

7. **First Charter Bank,** Denver, closed Jan. 15. Deposits of $9 million assumed by Century Bank and Trust, Denver.

8. **The First National Bank of Skiatook**, Skiatook, Okla., closed Jan. 15. Deposits of $13.8 million assumed by American Exchange Bank, Collinsville, Okla.

• 9. **National Bank of Frederick,** Frederick, Okla., closed Jan. 22. Insured deposits transferred to First National Bank and Trust Company, Frederick. All but $260,000 out of total deposits of $23.3 million were within the federal insurance limit.

10. **The First National Bank of Marlborough,** Marlborough, Mass., closed Jan. 23. Insured deposits transferred to Worcester County Institution of Savings, Worcester, Mass. About $1.5 million out of total deposits of $47.2 million were within the federal insurance limit.

11. **First Sierra Bank,** Bishop, Calif., closed Jan. 23. Insured deposits transferred to Security Pacific National Bank, Los Angeles. All but $673,000 out of total deposits of $23 million were within the federal insurance limit.

• 12. **The Farmers National Bank of Remington,** Remington, Ind., closed Jan. 29. Deposits of $33.6 million assumed by Lafayette National Bank, Lafayette, Ind.

• 13. **First State Bank of Pattonsburg,** Pattonsburg, Mo., closed Jan. 29. Deposit payoff. Deposits totaled $5.5 million, all within the federal insurance limit.

14. **Peoples Bank and Trust Co.,** Holdenville, Okla., closed Jan. 29. Deposits of $19.3 million assumed by The Bank, McAlester, Okla.

• 15. **The La Pryor State Bank,** La Pryor, Tex., closed Jan. 29. Deposits of $5 million assumed by Zavala County Bank, Crystal City, Tex.

16. **Montgomery County Bank NA,** in The Woodlands, Tex., closed Jan. 29. Deposits of $44.3 million assumed by Texas Commerce Bank NA, Houston.

17. **Bear Creek National Bank,** Bear Creek, Tex., closed Jan 29. Deposits of $25.6 million assumed by Jersey Village Bank, Houston.

18. **Boulevard State Bank,** Wichita, Kan., closed Feb. 5. Deposits of $84.9 million assumed by Union Boulevard National Bank, Wichita, a newly chartered subsidiary of Union Bancshares Inc., Wichita.

• 19. **State Bank of Allison,** Allison, Iowa, closed Feb. 5. Deposits of $16.7 million assumed by Lincoln Savings Bank, Reinbeck, Iowa.

20. **Sunbelt National Bank,** Dallas, closed Feb. 5. Deposit payoff. All but $32,000 of total deposits of $11.1 million were within the federal insurance limit.

21. **Market National Bank**, Denver, closed Feb. 5. Insured deposits transferred to Women's Bank NA, Denver. All but $110,000 of total deposits of $8.9 million were within the federal insurance limit.

22. **Community Bank**, Seiling, Okla., closed Feb. 11. Deposits of $5.4 million assumed by First National Bank of Seiling.

23. **Federated National Bank,** Live Oak, Tex., closed Feb. 11. Deposit payoff. All but $127,000 of total deposits of $11.4 million were within the federal insurance limit.

24. **Security National Bank,** Midland, Tex., closed Feb. 12. Deposit payoff. All but $41,000 of total deposits of $7.7 million were within the federal insurance limit.

25. **First City Bank of Atoka,** Atoka, Okla., closed Feb. 13. Deposits of $12.4 million assumed by the Atoka State Bank, Atoka.

• 26. **First State Bank of King City, Missouri,** King City, Mo., closed Feb. 13. Deposits of $13.8 million assumed by Citizens Bank and Trust Co., Chillicothe, Mo.

27. **The County Bank, Manatee County,** Palmetto, Fla., closed Feb. 13. Deposits of $163.2 million assumed by NCNB National Bank of Florida, Tampa.

28. **First State Bank of Atmore,** Atmore, Ala., closed Feb. 19. Deposits of $11.4 million assumed by First National Bank of Atmore.

29. **Hub City Bank and Trust Co.,** Lafayette, La., closed Feb. 20. Deposits of $37.5 million assumed by the Hibernia National Bank, New Orleans.

30. **The First National Bank of Weslaco**, Weslaco, Tex., closed Feb. 20. Deposit payoff. All but about $366,000 of total deposits of $69.2 million were within the federal insurance limit.

31. **First National Bank of Crosby,** Crosby, Tex., closed Feb. 26. Deposits of $8.2 million assumed by a newly chartered national bank subsidiary of Central Bancshares of the South Inc., Birmingham, Ala. The new institution retained the name of the failed bank.

• 32. **Farmers State Bank,** Hart, Tex., closed Feb. 26. Deposits of $9 million assumed by Hale County State Bank, Plainview, Tex.

• 33. **The Lewistown Bank,** Lewistown, Ill., closed Feb. 27. Deposits of $14 million assumed by the National Bank of Canton, Canton, Ill.

• 34. **The First State Bank,** Rockford, Iowa, closed March 4. Deposits of $14.6 million assumed by First Security Bank and Trust Co., Charles City, Iowa.

35. **Liberty Bank**, Houston, closed March 5. Deposits of $50.5 million assumed by Central Bank of Houston.

36. **Sealy National Bank**, Sealy, Tex., closed March 5. Deposits of $7.8 million assumed by Austin County State Bank, Bellville, Tex.

• 37. **First National Bank in West Concord,** West Concord, Minn., closed March 5. Insured deposits of $8.8 million transferred to Farmers State Bank, West Concord.

38. **First National Bank of Sapulpa,** Sapulpa, Okla., closed March 5. Deposits of $7.5 million assumed by American National Bank and Trust Co., Sapulpa.

39. **Western Bank,** El Paso, closed March 12. Deposits of $39 million assumed by MBank El Paso NA, El Paso.

40. **Plaza National Bank,** Del Rio, Tex., closed March 12. Deposit payoff. All but about $38,000 of the total of $30.4 million were within the insurance limit.

41. **Expressway Bank,** Oklahoma City, closed March 12. Deposits of $17.6 million assumed by First Interstate Bank of Oklahoma NA, Oklahoma City.

• 42. **The First National Bank of Olney,** Olney, Tex., closed March 12. Deposits of $13.4 million assumed by First National Bank of Olney, a newly chartered subsidiary of Olney Bancshares Inc.

• 43. **Beaver Creek State Bank**, Beaver Creek, Minn., closed March 13. Deposits of $7.3 million transferred to Citizens State Bank of Silver Lake, Silver Lake, Minn.

44. **United Oklahoma Bank**, Oklahoma City, closed March 17. Deposits of $94.1 million assumed by United Bank of Oklahoma, a newly chartered subsidiary of United Bankshares Inc., Oklahoma City.

45. **Red River National Bank in Clarksville**, Clarksville, Tex., closed March 19. Deposits of $22.5 million assumed by State Bank of DeKalb, DeKalb, Tex.

46. **Sweeney Bank,** Sweeney, Tex., closed March 19. Deposits of $17.6 million assumed by the First State Bank of Louise, Louise, Tex.

47. **Clarks Fork National Bank,** Fromberg, Mont., closed March 19. Deposits of $7.8 million assumed by Yellowstone Bank, Laurel, Mont.

• 48. **Morocco State Bank**, Morocco, Ind., closed March 20. Deposits of $14.1 million assumed by DeMotte State Bank, DeMotte, Ind.

49. **The Madill Bank and Trust Co.,** Madill, Okla., closed March 20. Deposits of $36.8 million assumed by First American National Bank, Tishomingo, Okla.

50. **New City Bank,** Orange, Calif., closed March 27. Deposits of $20.3 million assumed by Colonial Bank NA, a newly chartered national bank.

• 51. **The First State Bank of Billings,** Billings, Okla., closed March 26. Deposits of $9.4 million assumed by First National Bank and Trust Co., Perry, Oklahoma.

52. **Tallulah State Bank & Trust Co.,** Tallulah, La., closed March 27. Deposits of $30.2 million assumed by Bank of St. Joseph, St. Joseph, La.

• 53. **The First National Bank of Herington,** Herington, Kan., closed April 2. Deposits of $19.9 million assumed by the Bank of Herington, Herington.

54. **The Southwestern Bank NA**, Houston, closed April 9. Deposits of $14.3 million assumed by Omnibanc North Belt NA, Houston.

• 55. **First National Bank of Braman,** Braman, Okla., closed April 9. Deposits of $11.9 million assumed by Community Bank, Shidler, Okla.

56. **Commonwealth Bank**, Glendale, Colo., closed April 9. Deposits of $5.9 million assumed by Prudential Bank, Denver.

57. **Deer Lodge Bank and Trust Co.,** Deer Lodge, Mont., closed April 9. Deposits of $13.6 million assumed by Peoples Bank of Deer Lodge NA, Deer Lodge.

• 58. **The Citizens State Bank,** Brownstown, Ind., closed April 10. Insured deposits transferred to Monroe County Bank, Bloomington, Ind. All but $560,000 of total deposits of $28.1 million were within the federal insurance limit.

59. **Bank of Iron County**, Parowan, Utah., closed April 10. Deposits of $19.9 million assumed by Dixie State Bank, St. George, Utah.

60. **First Bank of Saginaw,** Saginaw, Tex., closed April 16. Deposits of $30 million assumed by Southwest Bank of Fort Worth.

• 61. **First State Bank of Forest City,** Forest City, Mo., closed April 16. Deposit payoff. Deposits totaled $6.6 million, all within the federal insurance limit.

62. **First Commercial Bank of Texas NA,** Houston, closed April 16. Deposits of $4.7 million assumed by Omnibanc North Belt NA, Houston.

63. **Bank of North Mississippi**, Oakland, Miss., closed April 22. Deposits of $13.7 million assumed by Bank of Mississippi, Tupelo, Miss.

64. **The Peoples Bank,** Collinsville, Ala., closed April 22. Deposits of $12 million assumed by Bank of Geraldine, Geraldine, Ala.

65. **North Central National Bank,** Austin, Tex. closed April 23. Deposits of $22.2 million assumed by Greater Texas Bank North, Austin, Tex.

• 66. **Osceola State Bank & Trust Co.,** Osceola, Iowa, closed April 23. Deposits of $8.4 million assumed by American State Bank, Osceola, a newly chartered subsidiary of Osceola Bancorp., Osceola, Iowa.

67. **Heritage Bank & Trust**, Salt Lake City, closed April 29. Deposits transferred to First Interstate Bank of Utah, Salt Lake City.

68. **UnitedBank-Houston,** Houston, closed April 30. Assets of $217.9 million. Deposits of $161.1 million in 13,400 accounts assumed by American Bank, Houston. Deposits also included about $3.1 million in 470 accounts that exceeded the federal insurance limit. The failed bank's five offices did not reopen. Customers can obtain funds at American Bank's office in Houston.

• 69. **Peoples State Bank,** Turkey, Tex., closed April 30. Assets of $6.0 million. Deposits of $5.9 million in 1,150 accounts assumed by Memphis State Bank, Memphis, Tex. Failed bank's one branch reopened May 1 as a branch of Memphis.

70. **American Bank of Commerce,** Denver, closed May 6. Assets of $25.3 million. Deposits of $22.2 million assumed by the Professional Bank of Colorado, Englewood, Colo.

71. **North American National Bank,** Littleton, Colo., closed May 7. Deposits of $8.9 million. One office closed, assets of $10.3 million transferred to FirstBank of Colorado NA, Littleton, Colo.

• 72. **First State Bank of Sisseton,** Sisseton, S.D., closed May 7. Assets of $21.2 million. Deposits of $19.7 million. Two branches reopened as branches of Farmers & Merchants Bank and Trust Co., Aberdeen, S.D.

• 73. **Moreauville State Bank,** Moreauville, La., closed May 8. Assets of $16.8 million. Deposits of $16.9 million. Two branches reopened as branches of Mansura State Bank, Mansura, La.

• 74. **Farmers State Bank,** Maddock, N.D., closed May 8. Assets of $11.8 million. Deposits totaled $11.6 million. Two branches reopened as branches of the Ramsey National Bank and Trust Co. of Devils Lake, Devils Lake, N.D.

• 75. **Marlin National Bank,** Marlin, Tex., closed May 14. Assets of $44.3 million. Deposits of $42.5 million assumed by Bank of Longview NA, Longview, Tex. One branch reopened next day as a branch of Bank of Longview.

• 76. **Todd County State Bank,** Long Prairie, Minn., closed May 14. Assets of $14.3 million. Deposits of $14.1 million in 4,600 accounts assumed by First National Bank of Long Prairie. Of two branches, one shut down. The other reopened May 15 as a branch of First National.

77. **United Bank,** Libby, Mont., closed May 14. Assets of $15.8 million. Deposits of $14.5 million in 4,900 accounts assumed by First National Bank in Libby, Libby. United's one office reopened May 15 as a branch of First National.

• 78. **First National Bank of Elbow Lake,** Elbow Lake, Minn., closed may 14. Assets of $17.5 million. Deposits of $16.2 million in 2,750 deposit accounts assumed by First National Bank of Fergus Falls, Fergus Falls, Minn. Elbow Lake's one office reopened May 15 as a branch of Fergus Falls.

79. **Bank of Oak Grove,** Oak Grove, La., closed May 21. Assets of $23.3 million. Deposits of $22.9 million in 4,800 deposit accounts assumed by West Carroll National Bank of Oak Grove. Failed bank's two offices reopened May 22 as branches of West Carroll.

80. **Lake Austin National Bank,** Austin, Tex., closed May 21. Assets of $42.5 million. Deposits of $37 million in 4,300 deposit accounts assumed by Greater Texas Bank Southwest NA, Austin. Failed bank's one branch reopened May 22 as a branch of Greater Texas.

81. **Texas Investment Bank NA,** Houston, closed May 21. Assets of $15.1 million, including about $54,000 in 17 accounts that exceeded FDIC insurance limit. Deposits of $13.4 million. Failed bank's one office will not reopen. This is an insured deposit transfer. Texas Investment customers will have access to their funds at River Oaks Bank, Houston, on May 22.

82. **Texas National Bank-Westheimer,** Houston, closed May 28. Assets of $27.5 million, deposits of $26.7 million in 1,200 accounts including $327,000 in 32 accounts that exceeded FDIC insurance limits. Failed bank's one office will not reopen. This is an insured deposit transfer to Texas Capital Bank-Westwood NA, Houston.

• 83. **First National Bank of Wilmont,** Wilmont, Minn., closed May 29. An insured transfer of $10 million of First National's $11.6 million of deposits was made to Farmers State Bank of Mountain Lake, Mountain Lake, Minn. First National reopened as a branch of Farmers State June 1.

84. **United Bank of Texas,** Austin, Tex., closed June 4. Insured deposits were transferred to MBank Austin NA, Austin. All but $1.7 million of the total deposits of $163.1 million were within the federal insurance limit.

85. **The First State Bank,** Frisco, Tex., closed June 4. Insured deposits of $39.3 million assumed by Promenade National Bank, Richardson, Tex.

86. **The Benton State Bank,** Benton, Kan., closed June 11. Transfer of $8.4 million in assets to First National Bank & Trust Co., El Dorado, Kan.

87. **First State Bank,** Milford, Tex., closed June 11. Assets of $6.4 million assumed by Ellis County State Bank, Milford. Ellis County is a newly chartered bank.

88. **Northwest Commercial Bank NA,** Houston, closed June 11. Jersey Village Bank, also of Houston, acquired $12.1 million in assets.

89. **Hamilton County State Bank,** Lockland, Ohio, closed June 12. The Provident Bank, Cincinnati, assumed $7.3 million of the failed bank's $8.7 million assets.

90. **Whittier Thrift and Loan,** Whittier, Calif., an industrial bank closed June 12. Assets of $14.8 million were transferred to Liberty Thrift and Loan, Orange, Calif.

91. **Eighty Niner Bank of Coyle,** Coyle, Okla., closed June 25. Deposits of $5.4 million were assumed by the Oklahoma State Bank of Mulhall.

92. **South Denver National Bank**, Glendale, Colo., closed June 25. Deposits of $47.7 million assumed by First National Bank of Southeast Denver, Denver.

93. **Liberty Bank & Trust Co.,** Greenwood, La., closed June 26. Deposits of $11.5 million assumed by Peoples State Bank, Many, La.

• 94. **Lanesboro State Bank,** Lanesboro, Minn., closed June 6. Deposits of $10.7 million assumed by the Goodhue County National Bank, Red Wing, Minn.

95. **First Midwest Bank,** Maryville, Mo., closed June 18. Deposits of $25.1 million assumed by the newly chartered First Bank of Maryville, a subsidiary of Citizens Bancshares Co., Clillicothe, Mo.

96. **Pelican State Bank,** Mansfield, La., closed June 24. Deposits of $6.8 million assumed by Peoples State Bank, Many, La.

□

These banks, which have not failed, did require financial assistance from the FDIC in order to stay open.

1. **American National Bank,** Durant, Okla. The FDIC granted financial assistance Feb. 25 to prevent a failure of the $9.1 million-deposit bank. As a result of the transaction, American National Bank merged with First National Bank of Johnston County, Tishomingo, Okla. The combined bank was named First American Bank, Tishomingo, with the Durant office operated as a branch.

2. **Central Bank and Trust Co.,** Glenmora, La. The FDIC granted financial assistance Feb. 26 to prevent failure of the $28 million-deposit bank. The assistance facilitated the merger of Central Bank and Trust with Peoples Bank and Trust Co., Natchitoches, La.

3. **Syracuse Savings Bank,** Syracuse. The FDIC granted financial assistance May 13 to prevent a failure of the $1.1 billion-deposit bank. The assistance facilitated the merger of Syracuse Savings with Norstar Bancorp, Albany, N.Y.

4. **Security Bank of Rich Hill,** Rich Hill, Mo., received $225,000 in open-bank assistance from the FDIC on June 5. The FDIC also bought $542,000 of Security Bank's assets. The failed bank has $12.9 million in assets. Deposits total $12.7 million. ■

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Retirement Planning Tops List of Financial Worries

By LYNN BRENNER

NEW YORK — Americans worry more about retirement than any other long-term financial problem, according to a recent survey designed to explore consumers' financial hopes and fears.

The survey, conducted for the International Association for Financial Planning by Reichman Research Inc., also showed that about 34% of the population believes it would be beneficial to have their financial affairs managed by a professional.

Most respondents said they would select a financial planner for the job. Very few consumers could see bankers and insurance agents in the role, and upper-income consumers took a particularly dim view of bankers' money management skills.

The survey consisted of telephone interviews with 759 consumers representative of the U.S. population and with 255 consumers representative of households earning at least $50,000 a year.

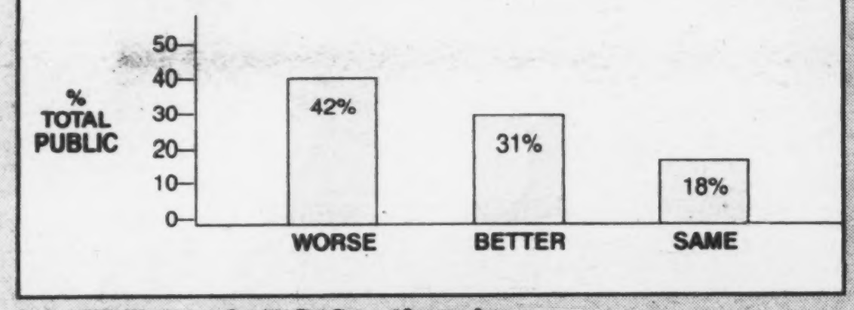
Among its findings:

Both upper-income consumers and the general public rank saving for education among their top financial goals. The only goal both groups ranked higher is saving for retirement.

Americans are generally upbeat about their current financial situation, but they are considerably less optimistic about long-term prospects — and women are markedly less optimistic than men.

BY A 4 TO 3 MARGIN, AMERICANS ARE SAYING THE NEXT GENERATION WILL BE WORSE OFF FINANCIALLY.

Whether the next generation will enjoy same financial opportunities enjoyed today



Source: IAFP's 1987 "Americans Cope With Their Finances" Consumer Survey ©

What Consumers Say

WHO IS MOST QUALIFIED TO MANAGE MONEY?

Which professionals are most qualified to manage financial affairs? (Base: respondents who agreed it would be beneficial to have their financial affairs managed by a financial planner.)

	Total Public	Total Higher Income
Financial Planner	48%	57%
Accountant	36	39
Banker	17	7
Stockbroker	14	12
Attorney	13	17
Insurance Agent	7	5
All (volunteered)	3	4
None (volunteered)	1	1
Other	1	3
Not Sure	3	1

Source: IAFP's 1987 "Americans Cope with Their Finances" Consumer Survey©

WHERE CONSUMERS PLACE THEIR MONEY

(Base: respondents who said they try to put money aside for savings and investments.)

	Total Public	Total Higher Income	Users of Financial Planner
Savings account	84%	91%	86%
Universal life insurance	39	42	43
Stocks	37	68	51
Money market funds	35	62	54
Bank certificates of deposit	34	45	39
Bonds	29	44	37
Variable life insurance	29	31	35
Mutual funds	25	52	54
Annuities	15	23	28
Limited partnerships	11	20	24

Source: IAFP's 1987 "Americans Cope with Their Finances" Consumer Survey©

Some Money Left Over

Most people said that, at the moment, they're doing pretty well. Fifty-four percent of the general public and 83% of the higher-income group said it is relatively easy to pay their expenses and have something left over.

But 42% of the general public and 43% of the upper-income group said the next generation will have fewer financial opportunities.

Future generations will be worse off, 46% of the women said, compared with 39% of the men. Likewise, 27% of the women, compared with 20% of the men, said it is harder to pay bills and have money left over now than it was last year. Higher-income women are 50% more likely than higher-income men to say 1987 will be harder economically than 1986.

Charles B. Lefkowitz, chairman of the International Association for Financial Planning, said he isn't surprised that women have a less rosy view than men.

As a financial planner, Mr. Lefkowitz said he finds women in general to be more realistic than men and more ready to question optimistic assumptions — perhaps because they're under less social pressure to appear confident and knowledgeable about finances.

Americans are worried about the future, the survey suggests. And they're articulate about their fears. When asked to identify a few of their longer-term economic concerns, both groups of respondents cited unemployment, the U.S. budget deficit, the trade deficit, and inflation as major worries.

The survey also asked respondents their opinion of financial planners.

Consumers who have used financial planning services were asked what types of professionals they chose. Thirty-four percent said they had selected a financial planner, 30% a stockbroker, 23% an accountant, 16% a life insurance agent, and 11% a banker.

Only 22% of the high-income households and only 13% of the general public said they had used the services of a financial planner. But the potential market for financial planning is clearly larger.

For example, 43% of the upper-income group and 34% of the public in general agreed with the statement that it would be beneficial to have their financial affairs managed by a professional planner.

Among consumers who said they've used a planner, 73% said it was beneficial.

Respondents who said it would be beneficial to have their finances managed were then asked which of several types of professionals is most qualified for the job.

Financial Planners Preferred

The respondents chose financial planners by a wide margin.

Forty-eight percent of the public said a financial planner would be most qualified to manage their affairs — over an accountant (36%), a banker (17%), a stockbroker (14%), an attorney (13%), and an insurance agent (7%).

Among upper-income consumers, 57% said a financial planner is most qualified — over an accountant (39%), an attorney (17%), a stockbroker (12%), a banker (7%), and an insurance agent (5%).

These results help explain why many stockbrokers and life insurance agents have begun calling themselves financial planners in the past few years.

Not all of them would meet the association's definition of financial planning, which includes giving advice on budgeting, taxes, insurance, investments, retirement, and estate planning.

The good financial planner, Mr. Lefkowitz said, will gather all the data necessary to show the client's present situation, and then he will help identify the client's goals and obstacles that may stand in the way.

The recommendations should be offered in writing and include alternative ideas, Mr. Lefkowitz said. The planner is then expected to coordinate the implementation — making an appointment with a lawyer who could draw up the client's will, for example.

"And the planner must periodically review and update the financial plan," Mr. Lefkowitz concluded.

This comprehensive definition of financial planning was read to survey respondents who have used planners.

A surprising number, 47%, said it described their experience "very well," and 40% said it described their experience "fairly well."

Customers Report Satisfaction

Of those who had used financial planners, 64% were "very satisfied" and 24% "somewhat satisfied" with

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Executive Leaves Visa to Start Credit Card Collection Company

By JEFFREY KUTLER

NEW YORK — A. Wayne Johnson, who might have become the next president of Visa U.S.A., has left the bank card organization to start his own company.

Mr. Johnson resigned as executive vice president of Visa on Wednesday, only seven months after his arrival fueled speculation that he eventually would succeed Charles T. Russell, chief executive officer of both Visa U.S.A. and Visa International.

Mr. Johnson's new company, Credit Sciences Inc., will provide loan collection and workout assistance to bank card issuers. Credit Sciences will open offices in Atlanta and Southern California later this month.

Mr. Johnson said his decision was in part personal, reflecting his and his wife's desire to return to their native Georgia. As a high-level strategist and assistant to Mr. Russell, he had moved to the San Francisco area.

When Mr. Johnson joined Visa, after more than a year as chief executive of First Interstate Bancorp's credit card subsidiary, he was the first outsider in Visa's 17-year history to join the top management circle.

Others had been promoted from within, including two other executive vice presidents: Roger Peirce, who runs Visa's global computer and communications networks; and B. Ray Traweek, who is responsible for products including the international automated teller machine network and the joint Visa-MasterCard debit card program known as Entree.

Mr. Johnson, 35, is a former management consultant with a strong bank card background. Industry observers regarded him as a likely successor to Mr. Russell, one of only two people to serve as president of the 19,000-bank Visa association.

Mr. Russell has headed the worldwide Visa corporation and its largest regional constituent, Visa U.S.A., since the retirement of D.W. Hock in 1984. Mr. Russell, 57, has not publicly discussed retirement plans.

Mr. Russell did not deny that Mr. Johnson, whom he recruited in a search for a different management perspective, was in the running for his post.

Open competition remains among Mr. Peirce; Mr. Traweek; Carl Pascarella, chief general manager of the Tokyo-based Asia/Pacific region; and perhaps others.

In a telephone interview last week, Mr. Johnson said he departed Visa on amiable terms. He said his new venture resulted from knowledge gained over the last two years about the growing problem of credit card loan losses and better ways to manage the risk.

"There is an absolute, unequivocal need for someone to help the industry collect receivables that have

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